

# EXHIBIT 18

ATTORNEY TO CLIENT  
CORRESPONDENCE

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CITY OF SAN DIEGO  
MEMORANDUM

DATE: June 14, 2002

TO: Honorable Mayor and City Council

FROM: Cathy Lexin, Human Resources Director  
Elmer Heap, Head Deputy City Attorney

SUBJECT: Meet and Confer:  
Contingent Retirement Benefits - Modified Proposal to San Diego City  
Employees Retirement System Board of Administration

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BACKGROUND

During the recently concluded meet and confer, the City Council approved a number of retirement benefit enhancements with a contingency feature. The contingency was tied to an affirmative vote by the San Diego City Employees Retirement System (SDCERS) Board of Administration related to (1) committing \$25 million from FY2000 SDCERS investment earnings to pay for retiree health insurance, (2) using an existing SDCERS reserve to pay for negotiated increases in the amount the City "picks up" of employee's retirement contributions, and (3) the City's contribution rates and funding status. We expect that the SDCERS Board will approve the first two items. The third item regarding the City's contribution rates and funding status of the system is the most complex of the issues and is currently under critical review by the SDCERS Board's outside fiduciary counsel and outside actuary.

DISCUSSION

The City Manager made a conceptual presentation before the SDCERS Board at a special meeting held on May 29, 2002. This was the first meeting of the Board after the close of meet and confer. (SDCERS meets regularly once a month on the 3<sup>rd</sup> Friday.) The Manager indicated that a detailed written proposal would be presented at the next regular meeting of the Board on June 21, 2002 (see attached). The Board's outside fiduciary counsel and actuary were at the May 29, 2002 meeting and have been requested by the Board's Administrator to prepare written opinions from their respective areas of responsibility prior to the June 21, 2002 meeting.

EXHIBIT # 2

Based upon conversations with the Retirement Administrator this week, it appears that the Board's outside fiduciary counsel is "uncomfortable" expressing an opinion that approval of this proposal is within the Board's reasonable discretion as fiduciaries of the system. The current "rate stabilization plan" stipulates that the City's contribution rates, beginning FY97 would increase a fixed 0.50% per year, which is less than the actuarially determined rate necessary to ensure stable funding of the system. The basis for prior fiduciary counsel condoning the original agreement to accept less than full actuarial contributions from the City, was the establishment of a reasonable funding ratio floor (82.3%), and the expectation of progress toward full funding pursuant to this plan. Currently fiduciary counsel is concerned that the City is requesting a further reduction to the funding ratio floor (from 82.3% to 75%) with no balancing aspect to the proposal, no quid pro quo.

### RECOMMENDATION

As we discussed in closed session earlier, implementation of the "rate stabilization plan" in the 1997 Manager's Proposal did not have any significant impact on the funding of the retirement system prior to FY01's actuarial valuation wherein the funding ratio dropped from 97.7% to 89.9%. In the past two years, several significant and unpredictable events impacted the funding status of the system. The settlement of the Corbett litigation resulted in approximately \$150 million in additional unfunded liability, and the drastic decline in investment earnings to the system (from \$415.9 million in FY00 to less than \$50 million estimated by year end FY02).

As you know, the Mayor's Blue Ribbon Committee on City Finances also made findings and recommendations regarding the retirement system liabilities and funding status. It is clear that the current arrangement whereby the City's contribution rate increases by a fixed 0.50% per year will not accomplish full funding as contemplated in the plan. A thorough analysis needs to occur and a funding policy developed that is acceptable to the SDCERS Board as Trustees and the City as Plan Sponsor. We had hoped the SDCERS Board would accept our proposal to lower the funding ratio floor to 75% with a commitment from the City to bring forward a long term solution within the next year. It does not appear that the fiduciary counsel will support this request.

Therefore, it is recommended that the City Council authorize the City manager to amend the proposal to be presented on June 21, 2002, by increasing the annual increase in City contribution from 0.50% per year to 1.00% per year beginning in FY05 (an approximate \$2.5 million increase). The City Auditor concurs with this recommendation as a necessary step toward the long term solution, and is a means to avoid the potential triggering of the fully actuarial rate in FY04 (a \$25 impact).

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Honorable Mayor and City Council

June 14, 2002

#### ALTERNATIVE

If we do not make this offer, it is likely that the SDCERS Board will not approve the proposal based upon a negative report from their fiduciary counsel. It is also a possibility that the funding ratio calculated for year ending FY02 will fall below 82.3% and trigger the full actuarial rate in FY04.

If either the original or this proposal fails, the retirement benefit improvements in the labor agreements with MEA, Local 127 and Local 145 will not occur. MEA has indicated that they will not schedule their ratification vote until this matter is heard by the SDCERS Board, and they anticipate that without the 2.5% at age.55 formula improvement in FY03, the 3-year MOU may fail a ratification vote, in which case we would be bargaining again with MEA next spring.

Attachment: Proposal, dated June 10, 2002, to San Diego City Employees' Retirement System (SDCERS) Board of Administration

A	B	C	D	E	F	G	H
Fiscal Year	Agreed-To City Rate	Projected Actuarial City Rate	Actual Actuarial City Rates	Proposed New City Rates	Amended New City Rates	City Rates If 75% Ratio is triggered	Actual Funding Ratio
FY96	7.98%	8.60%	8.60%				91.4%*
FY97	7.53%	10.87%	9.55%				93.3%
FY98	7.83%	12.18%	10.87%				93.6%
FY99	8.33%	12.18%	10.86%				93.2%
FY00	8.83%	12.18%	11.48%				97.3%
FY01	9.33%	12.18%	11.96%				89.9%**
FY02	9.83%	12.18%	12.58%				
FY03	10.33%	12.18%	15.59%				
FY04	10.83%	12.18%	16.65%	11.89%	11.89%	12.84%	
FY05	11.33%	12.18%	16.65%	12.39%	12.89%	13.79%	
FY06	11.83%	12.18%	16.65%	12.89%	13.39%	14.74%	
FY07	12.33%	12.18%	16.65%	13.39%	13.89%	15.69%	
FY08	13.00%	13.00%	16.65%	13.89%	14.39%	16.64%	
FY09					16.65%		

Column A: Fiscal Year

Column B: City's "Agreed-To" Contribution Rate Based on 1996/97 Manager's Proposal

Column C: Actuarial Rate Projections from FY1996/97 Manager's Proposal

Column D: City Rates based on actuarial valuations for respective fiscal years through FY03 and projected actuarial rates through FY08

Column E: Adding 1.52% to General Member rates (resulting in a blended rate increase of 1.06%) beginning in FY04 to pay the cost of the 2.50% at age 55 formula improvement

Column F: Increasing the +0.50% per year "agreed-to" rate in 1996/97 Manager's Proposal to +1.00% per year beginning in FY05

Column G: Increases the City contribution to full actuarial rate over five (5) years if the proposed 75% funding ratio is triggered in FY04

Column H: Funding Ratio of the Retirement Systems (projected assets compared to liabilities) effective fiscal year end (e.g. 89.9% as of 6/30/01)

\* The actuary report for 6/30/96 reflected a funding ratio of 92.3% for combined City and Port assets. The 92.3% is the ratio used in the 1996/97 Manager's Proposal. That funding ratio 6/30/96 for only the City's portion of the system assets was 91.4%. A more accurate floor which would trigger the full actuarial rate under the 1996/97 Manager's Proposal would be 81.4%. Beginning with the 6/30/99 actuarial valuation, the actuary identified separate City and Port funding ratios, and the ratios in Column H above reflect the City-only funding ratio beginning with the FY00 ratio.

\*\* FY01 Draft Actuarial Valuation is docketed for adoption by SDCERS on June 21, 2002



# EXHIBIT 19

CLOSED SESSION REPORT ☒ CITY OF SAN DIEGO ☐ OTHER (See below)TITLE Labor negotiations - Meet and Confer  
retirement matters (HDCA HEAP)

## NOT A PUBLIC RECORD

until the information in this box is completed,  
signed by an authorized representative of the  
City Attorney's Office and stamped in the space belowDATE OF CLOSED SESSION: 7/9, 2002☐ REAL PROPERTY NEGOTIATIONS G.C. § 54956.8☐ Ongoing/Status Report☐ Final Approval of Agreement (D)

Substance of Agreement: \_\_\_\_\_

☐ Final approval dependent on other party

Date Litigation Concluded: \_\_\_\_\_, 200

By: \_\_\_\_\_

Title: \_\_\_\_\_

(STAMP HERE)

☐ LITIGATION G.C. § 54956.9☐ (a) Pending ☐ (b)(1) Significant Exposure ☐ (b)(2) Authorizing Session ☐ (c) Initiating☐ Defend Litigation (D)☐ Status Report☐ Seek Appellate Review (D)☐ Refrain from Seeking Appellate Review (D)☐ Amicus Participation☐ Other (see below)☐ Settlement Offer To Be Conveyed☐ Acceptance of Signed Settlement Offer (D)☐ Initiate Litigation or Intervene (D)☐ Contingent Acceptance of Signed Offer☐ Non-Disclosure of Litigation Recommended (check if yes): ☐ See Report☐ Interfere with service of process ☐ Impair ability to settle☐ CLAIMS DISPOSITION G.C. § 54956.95☐ Offer Made☐ Offer Accepted☐ See Report☐ DECISION ON EMPLOYMENT STATUS G.C. § 54957☐ Appoint (D) ☐ Employ (D) ☐ Accept Resignation (D) ☐ Discipline (D)☐ Dismissal or Nonrenewal (disclose after exhaustion of administrative remedies) ☐ Performance Evaluation

Title: \_\_\_\_\_

Change in Compensation: \_\_\_\_\_

## ATTENDEES:

☒ LABOR NEGOTIATIONS G.C. § 54957.6☒ Ongoing/Status Report☐ Final Approval of Agreement (D) Other Party to Negotiation: \_\_\_\_\_

Item Approved: \_\_\_\_\_

☒ City Mgr ☒ Asst City Mgr ☐ Sr Dep City Mgr (Loveland)☐ City Atty ☒ Exec Asst City Atty ☒ Asst City Atty (Noone)☒ City Auditor☒ Other Bruce Herring, Rich Snapper, Sharon Marshall,Cathy Lexin, Dan Kelley☐ PUBLIC SECURITY THREAT G.C. § 54957☒ VOTE☐ NO VOTE NECESSARYCOMMENTS: Authorize modification of proposal - leave trigger at 82% of

Name	Yea	No	Absent
District 1 M	X		
District 2	X		
District 3	X		
District 4	X		
District 5	X		
District 6	X		
District 7 S	X		
District 8	X		
Mayor	X		
Voting Tally	9	0	0

funding but 1 year grace period to pay (retirement formula), but only as back-upif original proposal (75% trigger) fails at Retirement Board

APPROVED: \_\_\_\_\_

NOTE: (D) DISCLOSE FOLLOWING CLOSED SESSION

EXHIBIT # 62



# EXHIBIT 20



## MISSION STATEMENT

We pledge to continually deliver accurate and timely benefits through prudent administration and safeguarding of the San Diego City Employees' Retirement System, while ensuring the Fund's maximum safety, integrity and growth.

### SDCERS RETIREMENT BOARD MINUTES THURSDAY, JULY 11, 2002

The Retirement Board of Administration held a Special meeting in the System's Boardroom. Location: 401 "B" Street, Suite 400, San Diego, CA 92101. Fred Pierce called the meeting to order at 9:30 a.m.

#### IN ATTENDANCE:

Trustees: Frederick Pierce, Chair; John Casey, David Crow, Ray Garnica, Cathy Lexin, Mary Vattimo, Tom Rhodes, Ron Saathoff, Diann Shipione, John Torres, Terri Webster, Richard Vortmann, Sharon Wilkinson

Staff: Lawrence Grissom, Lori Chapin, Paul Barnett, Roxanne Parks, Sally Zumalt, Delia Lencioni, Dawne Clark, Jean Struiksma, Merlita Hilario

Public: Robert Blum, Constance Hiatt, Rick Roeder, Bruce Herring, Charles Feland, Michael Aguirre, Ann Smith, Judy Folsom, Judy Italiano, Stan Elmore, Garry Collins, Mary Bush, Bud Simpson, Stan Elmore, Pamela Hightower, Conny Jamison, John Swanson, Nancy Acevedo, Ed Lehman, Jorge Montegue, Pamela Hightower, Judie Italiano, Charles Feland & numerous other City employees.

#### **I. DISPENSE WITH THE READING AND APPROVAL OF THE SPECIAL MAY 29, 2002 EARNINGS MINUTES**

MOTION TO DISPENSE WITH THE READING AND APPROVE THE  
05/29/02 MINUTES:

D. CROW

SECOND:

T. RHODES

DISCUSSION:

Ms. Shipione asked that the last paragraph of Page 32 be amended to state that she had asked for clarification about the Board's authority; and, that the second paragraph on Page 33 be deleted.

CALL FOR THE QUESTION ON THE MINUTES AS AMENDED.

BOARD:

UNANIMOUS

MOTION TO APPROVE PASSED UNANIMOUSLY.

#### **II. REPORT ON ACTION TAKEN AT THE 8:30 CLOSED SESSION MEETING**

Mr. Pierce reported that the Board met in closed session at 8:30 a.m. regarding one matter of pending litigation.

SUBSTITUTE MOTION TO RECOMMEND THAT CONTINUED DISCUSSION OCCUR BETWEEN FIDUCIARY COUNSEL, THE BOARD'S ACTUARY AND STAFF TO DEVELOP A NUMBER OF APPROPRIATE ALTERNATIVES REPRESENTING THE YELLOW BARS AND THAT THE CITY BE INCLUDED IN THESE DISCUSSIONS WITH STAFF/CITY TO COME BACK WITH A PROPOSAL REPRESENTING ALTERNATIVES: D. SHIPIONE

DISCUSSION:

Mr. Saathoff said he is not willing to continue this item. He believes the City Manager and employees have concerns that need to be addressed. If granted the opportunity, he will make a substitute motion that should accommodate this while requiring the City to make a decision as to whether it would support such motion. If approved, the motion would also require that this be subject to fiduciary counsel and the actuary's review. Whatever the case may be, he encouraged the Board to move forward.

Ms. Shipione's amended motion died for the lack of a second.

Mr. Casey spoke against the original motion, stating he has been around a long time. In the past, the Board has accommodated the City with its funding woes. The fact the actuary's chart shows a big jump in contributions rates is not realistic and, in his opinion, will not happen. The Board should not subject the City to budget busting contributions when the funding crashes through the floor. Since he doesn't believe this will happen, he doesn't think it is fair to compare the red bar with the City's proposal. He believes the new proposal will assist the System in reaching PUC by 2009 than if the Board maintains the 97 MP. Although it pains him to say this, he previously criticized the City's one-year budgeting cycle. Now the City is before the Board eighteen months early asking for the opportunity to discuss this, which is a big improvement. Therefore, their request should be considered.

SUBSTITUTE MOTION TO MODIFY THE 97 MP AS FOLLOWS: 1) ONCE THE 82.3% TRIGGER IS HIT, TO ALLOW THE CITY'S PAYMENT SCHEDULE TO BE THE DIFFERENCE BETWEEN THE CURRENT RATE AND THE ACTUARIAL PUC RATE, TO BE PHASED IN INCREMENTALLY FROM THAT POINT THROUGH 2009; 2) THAT THIS MODIFICATION BE BASED ON THE CURRENT PROJECTIONS WITH THE CITY'S OFFER TO INCREASE ITS CONTRIBUTION RATES 1.0% PER YEAR TO INSURE THE SYSTEM IS AT PUC EFFECTIVE 2009 AS OUTLINED IN THE 97 MP; 3) TO TRANSFER \$25 MILLION INTO THE HEALTH CARE TRUST TO PAY RETIREE HEALTH BENEFITS WITHOUT LOWING THE FUNDING FLOOR TO 75%; AND, 4) THAT THIS BE CONTINGENT UPON A SATISFACTORY WRITTEN AGREEMENT BETWEEN THE CITY AND RETIREMENT BOARD:

R. SAATHOFF

SECOND:

J. CASEY

DISCUSSION:

Mr. Vortmann asked Mr. Saathoff if he would like to see the 1.0% per year increase spread over time on a prorated basis if the 82.3% trigger is tripped with an additional increment to the higher amount with the new funding proposal to be done currently. He asked if Mr. Saathoff is agreeing to the transfer of medical funds.

Yes, per Mr. Saathoff.

Mr. Pierce clarified that the 1.0% would be paid in FY 04 with the phase in occurring if the 82.3% trigger is hit.

Mr. Saathoff said he believes the date is FY 05, not FY 04. Although he doesn't have a crystal ball, he is guessing that the Fund will be below 82.3% by 2005, which is why he is willing to agree to this. His motion is also contingent upon a written, legally binding agreement between the Board and the City as approved by the Board.

Mr. Grissom said if the 82.3% trigger is hit, the 2003 valuation would reflect that which is triggered in 2004.

Mr. Saathoff agreed.

Although this is a great idea, Mr. Garnica said the Board should not rush into action. He believes in process, process, process, which requires further Board analysis.

Mr. Saathoff said his motion is subject to fiduciary counsel and the actuary's review and approval. Requiring codification of the contract language should address all of the Board's concerns. If the Board adopts this today, he believes the City will come to a good faith agreement. It is important that the Board take action so the City and Board can move forward with its long-term objective.

Mr. Blum asked if Mr. Saathoff's motion includes the real PUC rate or the fixed PUC rate.

Mr. Saathoff said it includes the current assumptions where PUC would still move. The City's contributions wouldn't fluctuate should the Board decide to later change its assumptions.

SDCERS' RETIREMENT BOARD MINUTES  
THURSDAY, JULY 11, 2002  
PAGE 35

In other words, the amount of contributions could change substantially. He intended for the discussion regarding the City's long-term funding solution to occur over the next six-months with the Board. Unfortunately, the Board can't address all of the concerns that are being raised today. However, approving this today would give the City some comfort with regard to its contributions without subjecting it to future Board actions that could cause the City's contributions to fluctuate wildly.

Mr. Blum said Mr. Roeder had informed the Board that he expects somewhat less than a 100 basis point change from the current experience study, which has not yet been approved. He asked if the non-economic assumptions would be included. These details are very important.

Mr. Roeder said 75 basis points in the non-economic assumption changes...

Mr. Saathoff interrupted, stating he would make this subject to future negotiations. If this passes, the City needs some certainty for budgeting purposes with respect to their contribution rates between now and 2009. The Board's action would be predicated on the experience history.

Mr. Pierce said the substitute motion indicates the \$25 million would come from the contingency reserve. He reminded the Board that it previously took action to sunset that reserve on 06/30/02 and to transfer that money into the Employer Contribution Reserve account. Therefore, the \$25 million would have to come out of this fund.

As the maker of the motion, Mr. Saathoff said he is comfortable with this.

Mr. Blum said this would probably require a change to the Municipal Code language.

Mr. Saathoff said if the Municipal Code requires a change, the City would make the necessary modifications.

Mr. Herring said the Board's action should include that based on existing actuarial assumptions, the City would work with the City Council to implement this. However, the City will have a real problem if this is built into the bogey that would be ramped up over time.

Mr. Pierce asked about the 76 basis points being discussed.

Mr. Herring said he has no idea what this is and it bothers him.



Once the Board takes action, Mr. Herring said Management would meet with the Mayor and City Council.

Before voting on this, Mr. Torres asked if Mr. Roeder or Mr. Blum had changed their opinions.

Mr. Blum said it is somewhat hard to provide an "on the fly" opinion. However, he is much more comfortable that the Board would not be at a material risk by adopting the substitute motion. Absent having all of the facts and the language in front of him, he's not sure how far he could go with this opinion.

Ms. Hiatt said in reviewing the numbers, a faster repayment schedule is better because the incremental earnings paid to the fund would reduce the Board's risk down the road. She asked when the 1.0% rate increase would become effective. Under the 97 MP, Mr. Pierce said it becomes effective 07/01/04.

**CALL FOR THE QUESTION ON THE SUBSTITUTE MOTION TO MODIFY THE 97 MP: 1) TO ALLOW THE CITY'S REPAYMENT SCHEDULE TO BE THE DIFFERENCE BETWEEN THE RATE AT THAT TIME AND THE ACTUARIAL PUC RATE IF THE 82.3% TRIGGER IS HIT; 2) THAT THIS AMOUNT WOULD BE PHASED IN INCREMENTALLY ON AN ANNUAL BASIS BETWEEN THAT POINT AND 2009; 3) THAT THIS BE BASED ON THE CURRENT ACTUARIAL PROJECTIONS WITH THE CITY TO INCREASE ITS PAYMENT 1.0% PER YEAR; 4) THAT THE CITY WOULD REACH THE PUC RATE IN 2009 AS INCLUDED IN THE 97 MP SUNSENT LANGUAGE; AND, 5) TO FUND \$25 MILLION FOR PURPOSES OF PAYING RETIREE HEALTH CARE BENEFITS. ADDITIONALLY, THIS MOTION DOES NOT INCLUDE LOWERING THE FUNDING FLOOR FROM 82.3% AND IS CONTINGENT UPON A WRITTEN AGREEMENT BETWEEN THE CITY AND RETIREMENT BOARD.**

**BOARD: 8 IN FAVOR: CASEY, VATTIMO, PIERCE, SAATHOFF,  
WILKINSON, TORRES, WEBSTER, LEXIN  
2 OPPOSED: RHODES, CROW  
1 ABSTAINED: GARNICA**

**MOTION PASSED 8 TO 3.**

(Mr. Vortmann and Ms. Shipione had departed the meeting prior to the vote.)

**IV. NEXT MEETING: FRIDAY, JULY 19, 2002 - 12:30 PM  
401 "B" STREET, SUITE 400  
SAN DIEGO, CA 92101**

# EXHIBIT 21

# City of San Diego


## Meet & Confer 2002

### Closed Session

May 6, 2002

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## Meet & Confer 2002 Agenda

- 
1. Status of Negotiations (Information)
  2. Management Team Recommendations (Action)
    - Overall Economic Proposal
    - Special Salary Adjustments
    - Other/Miscellaneous Items
    - Retirement Issues
  3. Next Steps (Information)

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## Meet & Confer 2002

### Status of Negotiations

- POA
- Local 145
- MEA
- Local 127

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### Status of Negotiations Bargaining Authority

April 16

- ♦ Authorized removal of MVLF contingency
- ♦ Authorized 3-year economic package
- ♦ Conditioned all retirement enhancement on removal of the "trigger" in "Manager's Proposal" regarding CERS funding ratio
  - Retiree health
  - Increase in employee "pickups"
  - Increase in General Member formula (2.5% at 55)



April 22

- ♦ Authorized SSA's and other miscellaneous items all within the April 16 total economic authority
- ♦ Added 3 SSA's and requested more info on 3 others

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## Status of Negotiations Bargaining Authority

April 29

- ♦ Authorized SSA's and other miscellaneous items all within the April 16 total economic authority
- ♦ Requested additional information on Presidential Leave Recommendations

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## Meet & Confer 2002

### Council Authorized 3 Year Proposal

		<u>MEA/127</u>		<u>POA/145</u>	
<u>Year 1/FY 03</u>	Salary	1.0%	12/02	2.0%	7/02
	Misc.	0.5%	12/02	1.0%	7/02
	Flex	\$350	7/02	\$350	7/02
	Ret Health		8/02		8/02
	Ret	2.5% @ 55	7/02	P/U 1.7%	7/02
<u>Year 2/FY 04</u>	Salary	3.0%	12/03	3.0%	7/03
	Misc.	0.5%	12/03	0.5%	7/03
	Flex	\$350	7/03	\$350	7/03
<u>Year 3/FY 05</u>	Salary	4.0%	12/04	4.0%	7/04
	Misc.			0.5%	7/04
	Ret Pickup	1.6% - 1.7%	12/04		
	Flex	\$350	7/04	\$350	7/04

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## Meet & Confer 2002

### Cost of Council-Authorized 3 Year Proposal

		<u>MEA/127</u>	<u>POA/145</u>	<u>Total</u>
<u>Year 1/FY 03</u>	Salary	2.08	5.07	7.15
	Misc.	1.04	2.54	3.58
	Flex	2.52	1.07	3.59
	Ret Health	*	*	*
	Ret Pickup		**	**
	Ret Formula	1.67		1.67
	<b>Total</b>	<b>7.31</b>	<b>8.68</b>	<b>15.99</b>
<u>Year 2/FY 04</u>	Salary	6.30	7.92	14.22
	Misc.	1.04	1.32	2.36
	Flex	2.52	1.07	3.59
	<b>Total</b>	<b>12.99</b>	<b>10.31</b>	<b>23.30</b>
<u>Year 3/FY 05</u>	Salary	8.54	10.65	19.19
	Misc.		0.99	0.99
	Ret Pickup**	**		**
	Flex	2.52	1.07	3.59
	<b>Total</b>	<b>18.41</b>	<b>12.71</b>	<b>31.12</b>
<b>3-YEAR TOTAL</b>		<b>38.71</b>	<b>31.70</b>	<b>70.41</b>

\* Retiree Health Costs paid from CERS 401(h) Trust and 115 Trust

\*\* Pickup paid from CERS reserve (5 years)-potential future impact to general fund

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## Meet & Confer 2002

### Proposal Funding

	<u>MEA/127</u>	<u>POA/145</u>	<u>Total</u>
Year 1/FY 03	7.31	8.68	15.99
Year 2/FY 04	12.99	10.31	23.30
Year 3/FY 05	18.41	12.71	31.12
<b>3-YEAR TOTAL</b>	<b>38.71</b>	<b>31.70</b>	<b>70.41</b>

#### FUNDING SOURCES

General Fund	18.41	30.96	49.37
Non-General Funds	20.29	0.74	21.03
<b>TOTAL City Funds</b>	<b>38.70</b>	<b>31.70</b>	<b>70.40</b>
CERS 401(h) Trust/115 Trust			39.20
CERS Employee Contribution Reserve	+5.06	+9.42	+14.48

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## Meet & Confer 2002

### Retirement Pick-up Proposal Costs

	<u>Current</u>	<u>Proposed</u>	<u>Total</u>	<u>Cost/Year</u>
POA/Local 145	7.3%	1.7%	9.0%	+3.14m
MEA/Local 127	5.4%	1.6%	7.0%	+4.96m
MEA/Lifeguards	7.3%	1.7%	9.0%	+0.10m

To be paid from Employee Retirement Contribution Reserve.  
Reserve Balance is \$40,650,714 (6/30/02).

Reserve will last through 2005 if begun 7/02 for all unions

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## Meet & Confer 2002

### Status of Negotiations

#### POA

- Expressed concern about rumors
- Focus on other settlements, falling behind, losing officers
- Introduced alternative 1 year proposal
  - +8% salary increase
  - +\$600 in flex contribution
- Minor changes to 3 year proposal
- Management Team improved proposals
- Reached additional TA's

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## Meet & Confer 2002

### Status of Negotiations

#### Local 145

- Some progress in formal process
- Introduction of significant retirement changes through informal discussions
  - Set employee contribution at 10% (+2.7%)
  - CERS to absorb difference (+2.8%)
  - At retirement roll 10% into high one year
- Significant discussions about falling behind in compensation among other jurisdictions
- Numerous, expensive economic proposals

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## Meet & Confer 2002

### Status of Negotiations

#### MEA

- Parity in Salary % or "no agreement"
- Can accept later implementation date of % increase
- Can accept less improvement in "pickup"
- Modified Agency Shop (MEA)
- Additional Annual Leave Accrual

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## Meet & Confer 2002

### Status of Negotiations

#### Local 127

- Parity also a major issue
- Agency shop/card check-off for election
- Classification and Compensation Study
- Contracting Out
- Overtime & benefits for hourly employees

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## Meet & Confer 2002

### Agenda

1. Status of Negotiations (Information)
2. Management Team Recommendations (Action)
  - Overall Economic Proposal
  - Special Salary Adjustments
  - Other/Miscellaneous Items
  - Retirement Issues
3. Next Steps (Information)

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## Overall Economic Proposal

### ISSUES:

- Public Safety Economic Expectations
- Parity
- General Member Retirement
- Funding of Retirement Benefits

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## Overall Economic Proposal

### Revised 3-Year Proposal

	<u>MEA/127</u>	<u>POA/145</u>
<u>Year 1/FY03</u>	3%*	4.7%
Year 2/FY04	4%	4%
Year 3/FY05	5%	5%

\* Includes 2.5 @ 55 retirement formula (results in 11% improvement in retirement benefit)

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## Overall Economic Proposal

### Revised 3-Year Proposal

		<u>MEA/127</u>		<u>POA/145</u>	
<u>Year 1/FY 03</u>	Salary	1.0%	12/02	1.0%	7/02
	SSA			POs 2.0%	7/02
	SSA			Sgts 2.0%	12/02
	EMT	L/G 2.0%	7/02	F/F 2.0%	7/02
	Misc.	0.5%	12/02	2.0%	7/02
	Flex	\$350	7/02	\$350	7/02
	Retire Health		8/02		8/02
	Ret	2.5% @ 55	7/02	P/U 1.7%	7/02
<u>Year 2/FY 04</u>	Salary	2.0%	12/03	2.0%	7/03
		2.0%	6/30/03	2.0%	12/03
	SSA			Lts 2.0%	7/03
	Misc.	0.5%	12/03	0.5%	7/03
	Flex	\$350	7/03	\$350	7/03
	Retire P/U	1.6%-1.7%	12/03 P/U	1.0%	7/02
<u>Year 3/FY 05</u>	Salary	3.0%	12/04	3.0%	7/04
		2.0%	6/30/05	2.0%	12/04
	Misc.			0.5%	7/04
	Flex	\$350	7/04	\$350	7/04

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## Overall Economic Proposal

### Cost of Revised 3-Year Proposal

		<u>MEA/127</u>		<u>POA/145</u>	
<u>Year 1/FY 03</u>	Salary	2.08		2.54	
	SSA			3.75	
	EMT			0.75	
	Misc.	1.04		2.54	
	Flex	2.52		1.07	
	Retire Health	*		*	
	Ret 2.5% @ 55	0	P/U 1.7%	**	
<u>Year 2/FY 04</u>	Salary	4.22		7.97	
	SSA			0.13	
	Misc.	1.05		1.33	
	Flex	2.52		1.07	
	Retire P/U 1.6%-1.7%	12/03**	P/U 1.0%	**	
	Retire 2.5% @ 55	2.67			
<u>Year 3/FY 05</u>	Salary	5.31		9.99	
	Misc.			1.33	
	Flex	2.52		1.07	

<b>3-Year Rolled Up Totals</b>	<b>\$ 35.73M</b>	<b>\$37.92M</b>	<b>\$73.65M</b>
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## Meet & Confer 2002 Agenda

1. Status of Negotiations (Information)
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### SPECIAL SALARY ADJUSTMENTS (SSA) Recommended Adjustments MEA

Classification	Annual Salary	% Requested	Pers. Rec	CSC Action	Mgr's Rec	Cost	
						General Fund	Non General Fund
Collection Investigator I (21)	\$40,032	17.5%	Deny	Deny	5%	\$56,772	0
Electronic Distribution Specialist	\$39,276	14.5%	Deny	Deny	5%	\$10,451	0
Lifeguard III (15)	\$54,060	15%	Deny	Deny	5%	\$60,339	0
Lifeguard Sergeant (14)	\$59,148	20%	Deny	Deny	5%	\$60,047	0
Marine Safety Lieutenant (5)	\$71,280	33%	Deny	Deny	5%	\$25,658	0
Senior Planner (47)	\$65,184	9%	Deny	Deny	5%	\$112,128	\$87,074
Associate Planner (60)	\$56,544	6.7%	Deny	Deny	5%	\$56,973	\$157,389
Junior Planner (0)	\$41,424	9.4%	Deny	Deny	5%	0	0
Assistant Planner	\$47,856	9.4%	Deny	Deny	5%	\$3,058	\$9,176
Lakes Program Manager (1)	\$69,984	22%	N/A	N/A	10%	0	\$9,219
Auto Messenger (27)	\$27,276	N/A	N/A	N/A	5%	\$21,062	26,807
Wastewater Operations Supv. (33)	\$63,744	N/A	N/A	N/A	5%	0	\$134,589

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## SPECIAL SALARY ADJUSTMENTS (SSA)

### Recommended Adjustments

#### MEA

Classification	Annual Salary	% Requested	Pers. Rec	CSC Action	Mgr's Rec	Cost	
						General Fund	Non General Fund
Power Plant Supervisor (3)	\$54,888	N/A	N/A	N/A	5%	0	\$11,023
Area Refuse Collection Supv. (20)	\$50,052	6.5%	N/A	N/A	5%	\$38,728	\$38,728
Police Lead Dispatcher (11)	\$49,512	5%	N/A	N/A	5%	\$36,368	0
Sr. Power Plant Supervisor (2)	\$63,048	28%	N/A	N/A	5%	0	\$8,500
Swimming Pool Manager II (6)	\$36,672	13%	Deny	Deny	5%	\$13,422	0
Swimming Pool Manager III (9)	\$40,344	10%	Deny	Deny	5%	\$23,115	0
Wastewater Pre-treatment Inspector III (5)	\$60,636	5%	N/A	N/A	5%	0	\$19,570
Combination, Electrical, Mechanical, Structural, Inspector Series (89)	\$52,344 - \$63,072	15.3% - 27.2%	N/A	N/A	5%	\$70,431	\$251,136
RECOMMENDED SSA SUBTOTAL						\$588,552	\$753,211
MEA TOTALS TO DATE						\$729,825	\$307,568
PREVIOUSLY AUTHORIZED						\$1.6M	\$1.4M

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## SPECIAL SALARY ADJUSTMENTS (SSA)

### Recommended Adjustments

#### Local 127

Classification	Annual Salary	% Requested	Pers. Rec	CSC Action	Mgr's Rec	Cost	
						General Fund	Non General Fund
Plant Process Control Technician (28)	\$51,360	23%	Deny	Deny	5%	0	\$97,732
Instrument Control Technician (23)	\$44,436	23%	Deny	Deny	5%	0	\$78,477
Equipment Painter (2)	\$45,648	5.4%	Deny	Deny	1%	\$629	\$629
Body & Fender Mechanic (6)	\$45,648	5.4%	Deny	Deny	1%	\$1,236	\$2,471
Utility Worker I & II (404)	\$ 31,428 - \$34,356	20%	N/A	N/A	5%	\$28,326	\$406,919
Grounds Maintenance Worker Series (327)	\$28,284 - \$34,356	20%	N/A	N/A	5%	\$321,914	\$27,697
SSA SUBTOTAL						\$352,105	\$613,925
LOCAL 127 TOTAL TO DATE						\$160,534	\$593,656
PREVIOUSLY AUTHORIZED						\$400,000	\$800,000

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## Meet & Confer 2002 Agenda

1. Status of Negotiations (Information)
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  - ♦ Retirement Issues
3. Next Steps (Information)

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## Management Team Recommendations POA

SPECIALTY PAY	PROPOSAL	GENERAL FUND COST
Trainer Pay (30)	Increase from .90/hr to 3.5% (K-9, others)	\$8,617
Mounted Patrol Pay (14)	Increase from 2.5% to 3.5%	\$8,586
Community Relations Officer Pay (25)	Increase from \$.80/hr to 3.5%*	\$15,331
FTO Pay (139)	Increase from 3.5% to 5%	\$221,146
RECOMMENDED MISCELLANEOUS		\$253,680
POA TOTAL TO DATE		\$1,186,517
PREVIOUSLY AUTHORIZED		\$3.46M

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## Management Team Recommendations Local 145

SPECIALTY PAY	PROPOSAL	GENERAL FUND COST
EMT Pay (937)	Increase 2%, from 5% to 7%	\$750,000
Administrative Assignment Pay (25)	Increase 2.5%, from 5% to 7.5%	\$46,682
RECOMMENDED MISCELLANEOUS		\$811,318
LOCAL 145 TOTAL TO DATE		\$626,855
PREVIOUSLY AUTHORIZED		\$1.5M

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## Management Team Recommendations MEA

SPECIALTY PAY	PROPOSAL	GENERAL FUND COST	NON-GENERAL FUND COST
Certification Pay	7% - Emergency Medical Technician Pay for Ranger/Divers (6)	0	\$18,448
Certification Pay	5% - CAD - Principal Drafting Aide (9)	\$17,701	\$14,329
Certification Pay	5% - ICBO - Plan Review Specialist Series (57)	0	\$91,422
Certification Pay	5% - ICBO - Zoning Investigator Series (22)	\$34,697	0
Certification Pay	5% - IRWA - Property Agent Series (29)	\$55,221	0
Certification Pay	5% - ASE - Equipment Repair Supervisor (20)	\$17,917	\$17,917
Certification Pay	5% - ASE - Fleet Maintenance Supervisor (1)	\$2,116	0
Certification Pay	5% - ASE - Metal Fabrication Supervisor (2)	\$1,720	\$1,720


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## Management Team Recommendations MEA

SPECIALTY PAY	PROPOSAL	GENERAL FUND COST	NON-GENERAL FUND COST
Certification Pay	5% - ABFDE - Documents Examiner III (2)	\$4,602	0
Certification Pay	5% - Latent Print Examiner	\$28,049	0
Registration Pay	15% - Park Designer (18)	\$50,411	0
Certification Pay	MLS - Librarian Series (151)	\$264,536	0
Meal Allowance	Increase \$2, from \$13 to \$15	\$211	\$5,540
Mileage Reimbursement	FY 04 - .1 cent increase, from .38 to .39/mile	\$34,600	\$25,400
Mileage Reimbursement	FY 05 - .1 cent increase, from .38 to .39/mile	\$34,600	\$25,400
RECOMMENDED MISCELLANEOUS		\$546,381	\$200,176
MEA TOTAL TO DATE		\$729,825	\$307,568
PREVIOUSLY AUTHORIZED		\$1.6M	\$1.4M
TOTALS		\$3.0M	

## Management Team Recommendations Local 127

SPECIALTY PAY	PROPOSAL	GENERAL FUND COST	NON- GENERAL FUND COST
Meal Allowance	Increase \$2, from \$13 to \$15	\$422	\$11,081
RECOMMENDED MISCELLANEOUS		\$422	\$11,081
LOCAL 127 TOTAL TO DATE		\$160,534	\$593,656
PREVIOUSLY AUTHORIZED		\$400,000	\$800,000
TOTAL		\$1.2M	



## Meet & Confer 2002 Agenda

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  - Retirement Issues
3. Next Steps (Information)

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## Other/Miscellaneous Items

1. Annual Leave
2. Out of Class Assignment Pay (OCA)
3. Unrepresented, Unclassified, Legislative

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## Other/Miscellaneous Items

### Management Team Recommendation:

#### 1. Annual Leave

- Add 1 day per tier for POA, MEA and Local 127
- Authorize Local 145's Proposal to give up the "cash" feature of Annual Leave and permit "pre-tax" conversion to retirement service credit, and to "run out" up to 100 hours at end of DROP
- Contingent upon CERS agreeing to with no transfer of cash to CERS

Cost:

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## Other/Miscellaneous Items

#### 2. Out of Class Assignment (OCA) for EMT's

- Authorize Single Role Paramedic Pay rate for Single Role EMT's when OCA to Paramedic position

Cost:

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## Other/Miscellaneous Items

### 3. Unrepresented, Unclassified, Legislative

- Authorize Retirement Pickups for Unrepresented and Unclassified the same rate and time as MEA and Local 127 (+1.6% FY04)
- Authorize Retirement Pickups up to same rate and same time as Safety Members (up to 10% FY03)
- Authorize increase of 1 day annual leave
- Authorize same Flex Increase as Unions
- Authorize increase in Management Benefits of \$178 per year to \$3000
- Authorize Special Salary Adjust for Personnel Analyst Series

Cost:

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## Meet & Confer 2002 Agenda

1. Status of Negotiations (Information)
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  - Other/Miscellaneous Items
  - *Retirement Issues*
3. Next Steps (Information)

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## Meet & Confer 2002

### Retirement Issues:

- *Presidential Leave and Retirement Benefits*
- Funding Ratio Impact on City Contribution
- 2.5% at 55 General Member Formula
- Increases in Employee Pick-ups
- Retiree Health Insurance and Funding


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## Meet & Confer 2002

### Union Presidential Leave & Retirement Benefits Current Status of Union Presidents


Union	President	Status
POA	Bill Farrar	Full-time Union president Unpaid Leave from City.
Local 145	Ron Saathoff	Full-time employee. Release time for Union activities.
MEA	Judie Italiano	Full-time Union president. Unpaid Leave from City.
Local 127	Tony Padilla	Full-time employee. Release time for Union activities.

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<h1>Meet &amp; Confer 2002</h1> <h2>Union Presidential Leave &amp; Retirement Benefits</h2> <h3>Current Status of Union Presidents</h3>								
Union/President	Employment Status	Retirement Issue						
MEA Judie Italiano	<ul style="list-style-type: none"> <li>- Leave of Absence 14 years</li> <li>- Payroll Specialist</li> <li>- Full-time MEA President &amp; General Manager</li> </ul>	<ul style="list-style-type: none"> <li>- Purchased past service</li> <li>- Contributed to Retirement on Union Salary (\$102,128)</li> <li>- Expects Retirement formula = high one year on union salary *</li> </ul>						
POA Bill Farrar	<ul style="list-style-type: none"> <li>- Leave of Absence 2 years</li> <li>- Police Officer II</li> <li>- Full time POA President</li> </ul>	<ul style="list-style-type: none"> <li>- All Service Paid</li> <li>- Contributed to Retirement on union salary (\$82,300)</li> <li>- Expects Retirement formula = high one year on union salary *</li> </ul>						
<table> <tr> <td>* Approximate un-funded Liability</td><td>Judie Italiano</td><td>\$145,000</td></tr> <tr> <td></td><td>Bill Farrar</td><td>\$56,000</td></tr> </table>			* Approximate un-funded Liability	Judie Italiano	\$145,000		Bill Farrar	\$56,000
* Approximate un-funded Liability	Judie Italiano	\$145,000						
	Bill Farrar	\$56,000						

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# Meet & Confer 2002

## Union Presidential Leave & Retirement Benefits

### Issue 1 – Current Union Presidents

Management Team Recommendation:

1. Authorize inclusion of union salary in high on year calculation; establish a maximum retirement high one-year salary at level equal to City Labor Relations Manager (approximately \$108,000 currently)

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## Meet & Confer 2002

### Union Presidential Leave & Retirement Benefits Issue 2: Current Local 145 President

#### Management Team Recommendation:

1. Allow the current Local 145 President to begin a paid Presidential Leave under the terms described in Issue 2 effective July 1, 2002
2. Allow contributions on union salary in addition to the City's contributions on Captain's salary, to a max of \$108,000 for the one year period prior to July 1, 2002 to establish a high one year

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## Meet & Confer 2002

### Union Presidential Leave & Retirement Benefits Issue 3: Prospective Union Presidents

#### Management Team Recommendations:

1. Authorize full-time City-paid union Presidential Leave for each of the 4 unions beginning July 1, 2002
2. Union President/employee to be paid for normal work period at the salary of their current class when become President; receive regular benefits for the class; with no overtime
3. Retirement benefits consistent with his/her classification and level of compensation
4. Union may compensate the union president for services to the union outside the normal work period. Such compensation shall not affect or be a part of City compensation, nor affect or add to retirement benefits

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## Meet & Confer 2002

### Union Presidential Leave & Retirement Benefits

#### Issue 2: Prospective Union Presidents

#### Management Team Recommendations:

5. Current MEA, POA, and Local 145 Presidents may also utilize paid President Status under these terms effective 7/1/02\*
6. Subject to appropriate legal conditions to be established by City Attorney (e.g. finding of public purpose by Council, city time for representative duties, not internal union business, Union indemnifies city for conduct in violation of city policy/rules

\*Estimated Cost to Budget: \$378,000 annually

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## Meet & Confer 2002

### Agenda

1. Status of Negotiations (Information)
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  - Retirement Issues
3. *Next Steps* (Information)

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## Meet & Confer 2002

### Next Steps

- Resume negotiations, attempting to reach agreements (MOU's) prior to Monday, 5/13
- Advise Council as soon as agreement(s) are reached; or
- Report in Closed Session Monday, 5/13 the issues at impasse and the respective positions
- Council may authorize additional authority, or convene public Impasse Hearing on Monday 5/13
- Introduce FY03 Salary Ordinance on Tuesday, May 14
- Approve MOU's or unilaterally implement terms of last and best offer

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## Meet & Confer 2002

### Next Steps

- If POA does not reach agreement, and City unilaterally implements terms of 1-year, last and best offer, other Unions will want Re-openers to protect the potential of POA receiving "more" in a future year for "not" reaching agreement

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EXHIBIT 22



ATTORNEY TO CLIENT  
CORRESPONDENCE

FOR CONFIDENTIAL USE ONLY

CITY OF SAN DIEGO  
MEMORANDUM

7/16/02  
ITEM #3

DATE: June 13, 2002

TO: Honorable Mayor and City Council

FROM: Cathy Lexin, Human Resources Director  
Elmer Heap, Head Deputy City Attorney

SUBJECT: Police Officer's Association - Union President

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BACKGROUND

During the recently completed labor negotiations, the issue of Union President's retirement benefit was discussed in conjunction with the issue of granting a paid leave of absence for Union Presidents. As you may recall, two of the four Union Presidents, Bill Farrar of POA and Judie Italiano of MEA, have been on leave without pay for two and fourteen years respectively. Both Mr. Farrar and Ms. Italiano have been making contributions to the retirement system based on the salary their respective Unions have been paying them. ~~While the City maintained its position that it never condoned this arrangement, it was clearly acquiesced to by the City Retirement Office. Ron Saathoff, President of Local 145, had requested a similar arrangement approximately one year ago, and that matter became a part of these negotiations as well.~~ As a condition of reaching agreement on successor MOU's, the Council approved the Management Team's recommendation to allow the Union-paid salary (not to exceed the salary of the Labor Relations Manager as a cap) as the basis for retirement benefit calculations.

Since the POA did not reach agreement on a successor MOU, this offer was not extended to Mr. Farrar, the current POA President. Mr. Farrar contacted the Retirement Administrator, Larry Grissom, regarding the processing of his Deferred Retirement Option Plan (DROP) application, and specifically asked whether his Union salary, upon which his retirement contributions have been based, would be used in calculating his retirement/DROP benefit. Mr. Grissom advised Mr. Farrar that based on conversations with City management, Retirement could not use a Union-established salary in calculating his retirement benefit.

EXHIBIT # 53

### DISCUSSION

Both Mr. Farrar and his attorney, Dick Castle, have contacted the City Manager's Office asserting that this matter, from their perspective, was never included as part of meet and confer, but rather is a separate and individual issue for Mr. Farrar. Mr. Farrar is aware that the City has agreed to honor the Union paid salary for both MEA and Local 145 Presidents (who have reached agreements on successor MOU's), and will likely assert he is being retaliated against due to the fact POA rejected the City's final offer.

### RECOMMENDATION

Given the facts as discussed above, if the City denies Mr. Farrar's request of being treated the same as MEA President and he litigates the issue, there is some legal risk of the City being found liable for retaliation. Therefore, it is recommended that Mr. Farrar be treated the same as the MEA President for purposes of calculating his retirement benefit by having Retirement calculate his benefit based on the higher Union salary. In the alternative, the City could deny Mr. Farrar's contention that he is entitled to a retirement benefit based on his Union salary. In that event, he would be entitled to a refund of the difference between the amount he paid to Retirement based on his Union salary and the amount he should have paid based on his salary if he was paid by the City for his classification.